Pembina Pipeline Income Fund

> REPORT TO UNITHOLDERS 2001

2001

Pembina Pipeline Income Fund

Corporate Profile

PEMBINA PIPELINE INCOME FUND is a publicly traded Canadian income fund engaged, through its wholly owned subsidiary Pembina Pipeline Corporation, in the transportation of light conventional and synthetic crude oil, condensate and natural gas liquids in Western Canada. The Pembina Pipeline Income Fund, an unincorporated open-end trust, pays monthly cash distributions to Unitholders. Pembina Pipeline Income Fund Trust Units are listed on the Toronto Stock Exchange under the symbol PIF.UN. Pembina's corporate head office is located in Calgary, Alberta.

> Dynamic feeder pipeline business emerges as diversified industry leader.

Significant growth in Pembina's pipeline operations over the past two years has seen Pembina evolve into the premier diversified liquids feeder pipeline business in Canada, with 8,000 kilometers of pipeline in fifteen pipeline systems serving producing areas across Alberta and northeastern British Columbia. Collectively, Pembina's pipelines transport almost half of the light and medium conventional oil produced in Western Canada and, with the purchase of Alberta Oil Sands Pipeline Ltd. (AOSPL) in December 2001, will play a pivotal role in delivering synthetic crude oil derived from oilsands to market.

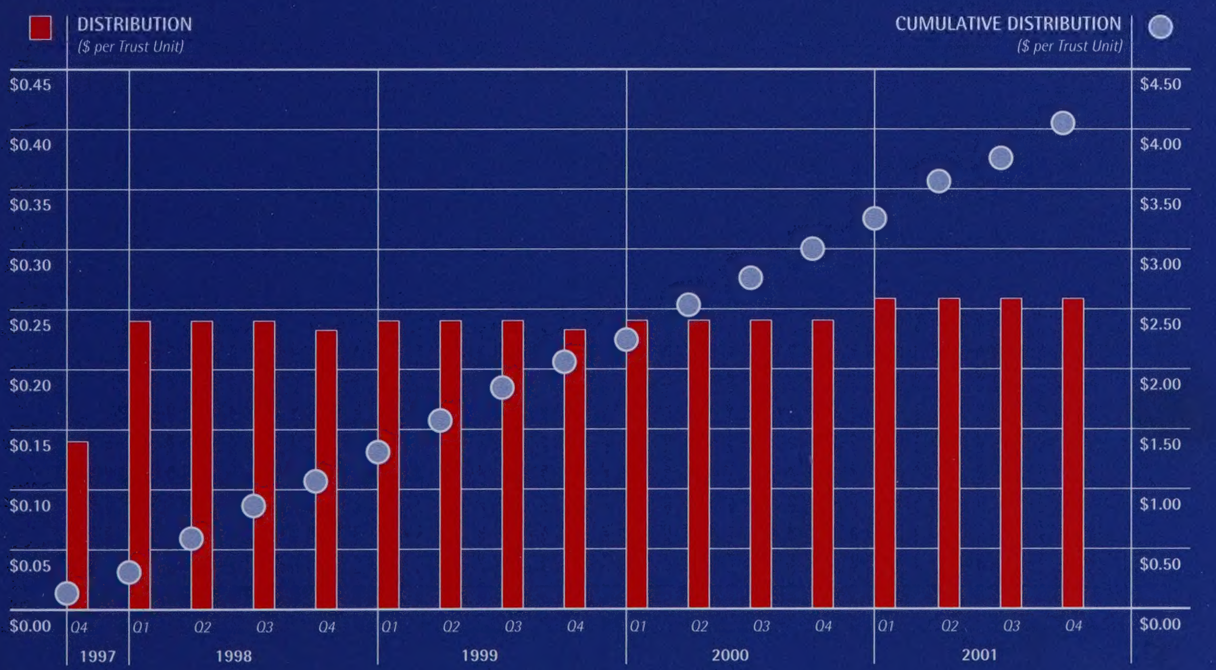
The Pembina Pipeline Income Fund is among the largest infrastructure income funds in Canada with a market capitalization of $1.1 billion and a total enterprise value approaching $1.5 billion.

PEMBINA DELIVERS

Returns
- > three years of stable distributions through 2000
- > 9% growth in monthly distribution rate in 2001

Growth
- > $625 million in pipeline acquisitions over past two years
- > pipeline throughput more than doubles to 745,000 barrels per day in 2002

Performance
- > solid operating and financial results
- > enhanced market presence and performance



> returns

> growth

> performance

LETTER TO FELLOW UNITHOLDERS

Robert B. Michaleski
President and Chief Executive Officer

Pembina had another outstanding year in 2001, its fourth full year of operation as a publicly traded income fund. The Fund demonstrated strong financial returns, corporate growth and operating performance – by successfully executing Pembina's growth and operating strategies.

The highlight of the year was the acquisition of Alberta Oil Sands Pipeline Ltd. (AOSPL) for approximately $225 million in December 2001. AOSPL is the exclusive transporter for the Syncrude Project, currently shipping approximately 245,000 barrels per day of light synthetic crude oil from Fort McMurray, Alberta to the transportation hub in Edmonton, Alberta. We expect to expand AOSPL system capacity in stages to accommodate the phased growth from an aggressive capital investment program initiated by the Syncrude owners in 1997. Published reports indicate that Syncrude owners expect gross production to increase to approximately 370,000 barrels per day when the Stage 3 expansion is completed in 2005. Syncrude plans call for further increases to over 410,000 barrels per day by 2010 and ultimate production approaching a projected 560,000 barrels per day by 2015.

This transaction provides important diversification of Pembina's pipeline interests, adding a synthetic oilsands derived product stream to our throughput mix of conventional crude oil, condensate and natural gas liquids. The long-term transportation agreement with the Syncrude owners, with a current expiry at the end of 2035, provides for full cost recovery and attractive, stable contract-based returns on current and future invested capital. We intend to apply the same diligence to integrating the AOSPL system into Pembina's asset base as demonstrated with the Federated and the NEBC pipelines in 2000. By April 2002, Pembina will have completed the transfer of pipeline control operations to our newly-expanded Edmonton Control Center (ECC). The ECC now serves as a hub, providing pipeline control and monitoring across Pembina's pipeline network.

Pembina is the largest liquids feeder pipeline business in Western Canada. We offer our customers safe, reliable and cost-effective service from an integrated network of 8,000 kilometres of pipeline in 15 systems, which is expected to transport in excess of 745,000 barrels per day of conventional and synthetic crude oil, condensate and natural gas liquids in 2002. The increased size and operational diversity of Pembina's underlying pipeline business reduces the Fund's risk profile. The addition of the AOSPL system to Pembina's pipeline holdings provides strategic geographic and product diversification and provides a solid foundation for Unitholder distributions for many years to come.

We signaled the Fund's strong operating and financial outlook early in 2001 by increasing the monthly distribution to Unitholders to $0.0875 per unit, setting the pace for a record annual payment of $1.05 per unit. By year end, the cumulative distribution to Unitholders since the initial public offering of the Fund in 1997 totaled $271 million or $4.05 per Unit. Unit trading prices strengthened throughout the year, enabling Pembina to achieve a 41 percent total return in 2001, among the best in the industry.

Highlights

	2001[1]	2000[2]
Throughput Volumes *(thousands of barrels per day)*	**512.1**	400.0
Operating Revenue *(millions)*	**$ 191.6**	$ 136.2
Distributed Cash *(millions)*	**$ 80.9**	$ 62.8
Per Trust Unit	**$ 1.05**	$ 0.96

[1] Operating results exclusive of AOSPL, acquired effective December 31, 2001.
[2] Federated results included effective as at July 31, 2000, NEBC included effective August 28, 2000.

Pipeline throughputs averaged 512,100 barrels per day on a system-wide net interest basis in 2001, a 28 percent increase over 2000, reflecting the full-year contribution of pipelines acquired during the third quarter of 2000.

Pembina's pipelines generated revenues of almost $192 million in 2001, up 41 percent from $136 million in 2000. Cash flow from operations of $98 million in 2001 was $30 million higher than the previous year. In 2001 the Fund paid monthly cash distributions of $0.0875 per Trust Unit to total $1.05 per Trust Unit, and distributed cash exceeded $80 million for the year. This is an increase of 29 percent from the annual distribution of $63 million in the prior year and reflects, in part, the incremental cash flow contributed by the pipeline systems acquired in 2000.

Peter D. Robertson
Vice President Finance and Chief Financial Officer

Fred E. Webb
Vice President and General Manager

D. James Watkinson, Q.C.
Vice President, General Counsel and Secretary

Pembina is proud of its record of value creation and has produced superior returns for investors in all financings of the Fund. Three highly successful offerings were completed during 2001. The strong subscription to the convertible debenture and Trust Unit offerings brought several new institutional investors to our Unitholder ranks, reflecting the market's endorsement of management direction and Fund performance.

Market capitalization of the Fund grew significantly during 2001, as a result of new public offerings of Trust Units and convertible debentures and due to appreciation in trading value of the Fund's outstanding securities. The market price of Pembina's Trust Units at year-end was $11.31 per Unit, a 29 percent increase over the 2000 close of $8.75 per Unit and 13 percent above the IPO price. We also witnessed substantial liquidity improvements year-over-year, as trading averaged almost 185,000 Units per day during the last quarter of 2001, a three-fold increase over the same quarter of 2000. Pembina's market float increased from 74.2 million Units outstanding at the end of 2001 to 87.9 million by the end of 2001 and, when combined with appreciated Unit trading values, saw the Fund's market capitalization rise to over $1.1 billion from $650 million at the end of 2000.

We negotiated a new $255 million syndicated credit facility with a syndicate of Canadian chartered banks to finance the purchase and future capital requirements of the AOSPL system. Pembina has a total of $550 million in credit facilities available, of which $315 million was drawn at the end of 2001. With senior debt to total capitalization of under 22 percent at December 31, 2001, Pembina's strong balance sheet will enable the ongoing pursuit of future expansion opportunities.

At year-end, total capitalization of the Fund exceeded $1.4 billion, elevating Pembina into the ranks of the largest publicly traded infrastructure funds in Canada. Pembina closed 2001 with a working capital reserve of approximately $10 million, providing a substantial platform upon which to secure stability in distribution payments in the year ahead. Increased size along with solid financial strength augurs well for continuing success in meeting Pembina's goals and objectives going forward.

THE YEAR AHEAD

Pembina has benefited from the robust activity of last year's drilling season, which has resulted in increased requests for crude oil battery tie-ins and a surge in demand for transportation of natural gas liquids (NGLs). NGLs produced in association with natural gas are a substantial and growing component of Pembina's total throughput. Together with condensate, NGLs comprised some 44 percent of total system volumes in 2001. Evolution of the Western Canadian oil and gas industry has seen consolidation amongst the intermediate and senior producers and witnessed the emergence of the oil and gas royalty trusts as a major force in the intermediate segment of the industry. There has been a resurgence of development activity in Pembina's mature areas, a focal point for many royalty trusts.

We will maintain the disciplined approach to growing Unitholder value that has characterized the Fund from the outset, seeking opportunistic acquisitions of complementary assets while offering competitive, reliable service to our expanded customer base. We remain committed to the active pursuit of competitive advantage through operating efficiencies and strategic acquisitions to attract incremental volumes to Pembina's pipeline systems.

We thank all of Pembina's employees, including all of the new staff who joined us following the pipeline acquisitions of the past two years, for their support in another exciting year of growth and change. Your skill and dedication has directly contributed to Pembina's success.

We also acknowledge the role of the Board of Directors and Pembina's experienced management team who worked closely to capture new opportunities while maintaining the focus on our business, our targets and our strategic objectives.

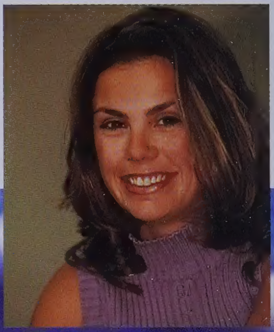
And finally, we thank our Unitholders for their continued support.

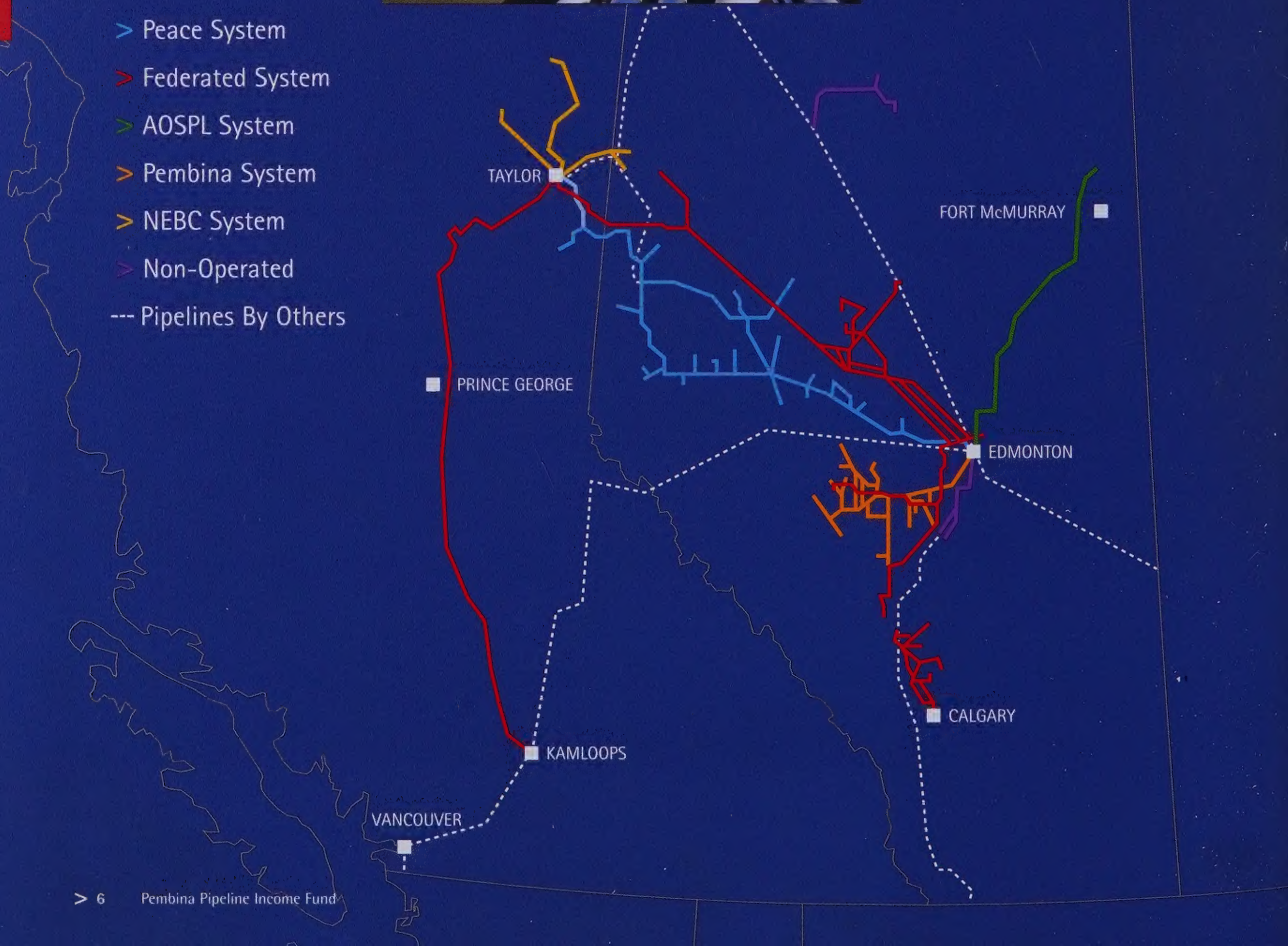
On behalf of the Board of Directors of Pembina Pipeline Corporation,

R.B. Michaleski
President and Chief Executive Officer
Pembina Pipeline Corporation and Pembina Management Inc.

March 13, 2002

> high quality assets
> skilled, experienced personnel
> enhanced customer service

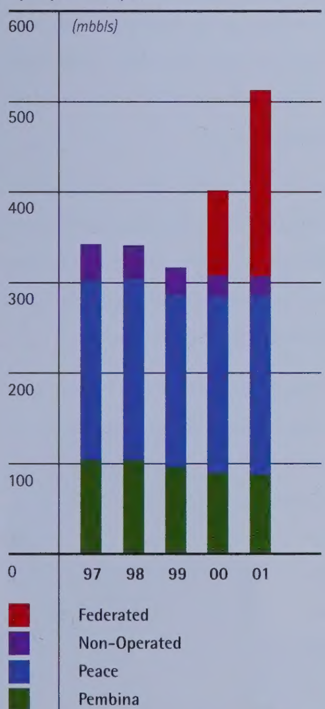




Pembina's Pipelines

With the dramatic expansion of its pipeline network over the past two years, Pembina has established an integrated foundation of high quality assets and skilled, experienced personnel. The synergistic blend of fifteen distinct pipeline systems has enabled Pembina to offer enhanced customer service, improved operating efficiency and, as always, an ongoing commitment to superior pipeline reliability and safety.

Five-Year Throughput by Pipeline System



(NEBC excluded from total)

Pembina's pipelines generated record results in 2001. Average volume of 512,100 barrels per day in 2001 compares to 400,000 barrels per day in 2000 and 316,100 barrels per day in 1999. The impressive 28 percent year-over-year increase in average throughput signifies the impact of inclusion of a full year of operating results for the NEBC and Federated systems acquired mid-year in 2000. Even more impressive, revenue rose 41 percent year-over-year and operating income was up 44 percent, indicative of Pembina's success in extracting operating synergies through the efficient integration of the newly acquired assets into the Pembina fold.

In 2001, the Edmonton Control Centre was expanded to house the combined Federated and Peace control centre operations and the future relocation of the Pembina (Drayton Valley), NEBC and AOSPL Supervisory Control and Data Acquisition (SCADA) systems. Construction and integration for all systems, with the exception of NEBC, was completed by the end of March 2002. The ECC, with five console operators, shift foremen and redundant capacity in each system to provide automatic back-up in the event of primary hardware failure, provides continuous 24 hour control and monitoring across Pembina's pipeline network. In late 2001, Pembina commenced establishment of emergency back-up control and monitoring facilities at the now redundant Drayton Valley Control Centre. Implementation will be completed in stages over the next two years, with all duplicate systems expected to be operational by the end of 2003.

Pembina's system map demonstrates the scope and diversity of its pipeline holdings. In 2000 the Federated and NEBC systems expanded Pembina's service area into the important northeastern British Columbia liquids producing area. The AOSPL system now provides exposure to the prolific oil sands operations located in northeastern Alberta.

2001 Operating Highlights By Pipeline System

Pipeline Systems	Average Volume *(mbbls/day)*	Average Tariff *($/bbl)*	Net Operating *Income ($MM)*
Peace	200.0	1.17	56.4
Federated	205.7	0.78	37.2
Pembina	87.4	0.89	16.3
NEBC	41.0	0.87	6.5
Non-Operated	19.0	0.85	3.9
Total Pembina	**512.1***	**0.95**	**120.3**

* NEBC excluded from total: this volume is transferred to the Peace and Federated systems and included in these totals.

Peace System

The Peace system, serving the oil and natural gas fields of northwestern Alberta, has maintained pipeline throughput near the 200,000 barrel per day range over the past several years. Oil and gas industry activity in this rich producing region has remained relatively stable through commodity price cycles, and recent industry focus on natural gas exploration and development has resulted in an increase in natural gas liquids transported on this system.

Peace is a technically sophisticated system of 2,100 kilometers of gathering and main lines, pumping and storage facilities and control and monitoring equipment that carries a diverse product stream in "batched" mode. The Peace system spans the northwestern quadrant of Alberta and extends into British Columbia, taking delivery from more than 80 receipt points including connected battery sites, natural gas plants, truck unloading facilities and interconnection to a third party NGL line. The system terminates at the transportation hub near Edmonton, Alberta where products, including conventional light crude oil, condensate and natural gas liquids, are delivered into regional refining and petrochemical facilities, for local markets or are transferred for export on transmission pipelines.

The Peace system transported an average of 200,000 barrels per day in 2001 and generated revenue of $86 million and operating income of $56 million. Peace ranks as Pembina's dominant asset in terms of cash flow contribution at 47 percent of the total for 2001. Strong natural gas liquids receipts during the final quarter of the year contributed to a solid operating performance in 2001. Three new crude oil batteries were connected to the system during the year.

In May 2001, a corrosion failure occurred in a 12 inch diameter pipeline in a remote area near the Lator pump station. Rapid detection and response by Pembina personnel in the Edmonton Control Center and the Valleyview office limited that release to approximately 650 barrels of oil. Regulatory authorities have declared the cleanup of the spill site complete, and final soil remediation and revegetation activities are to be completed in 2002. Pembina estimates that the majority of the approximately $4.5 million in costs associated with this incident are recoverable from insurers. The pipeline has been examined with a high resolution inspection tool, repaired and returned to service.

Federated System

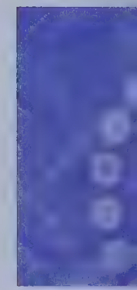
The first full year of ownership of Federated pipelines was marked by solid operating performance. Strong aggregate results were reported, despite the outstanding resolution of operating issues on two of its pipelines.

Acquired in mid-2000, the Federated system has provided key diversification and operating benefits to Pembina, almost doubling the size and expanding the geographic reach of Pembina's pipeline network. The Federated system consists of about 3,200 kilometers of pipeline in seven distinct and diverse systems. These pipelines transport a range of products, including conventional crude oil, segregated condensate and natural gas liquids, from receipt points located throughout Alberta and northeastern British Columbia.

The combined pipelines transported an average of 205,700 barrels per day during 2001 and generated revenues of $59 million. Solid operating performance on the crude oil and NGL systems was somewhat offset by ongoing issues on the Miscible Flood and Western systems. The net operating income contribution of $37 million represents about 30 percent of Pembina's 2001 total. Tolls on the Federated pipelines averaged $0.78 per barrel during 2001, relatively unchanged from the prior year.

Intermittent operation of the miscible flood program at Judy Creek resulted in reduced service on the Miscible Flood system during the year. The southern segment of the Western system remained out of service over the course of the year, as regulatory and legal proceedings progressed. Roughly 11,000 barrels per day of B.C. crude oil production was delivered to Prince George, B.C. and the balance of 30,000 barrels per day was diverted east on the Federated North and Peace systems. There were no material environmental incidents on this system in 2001.

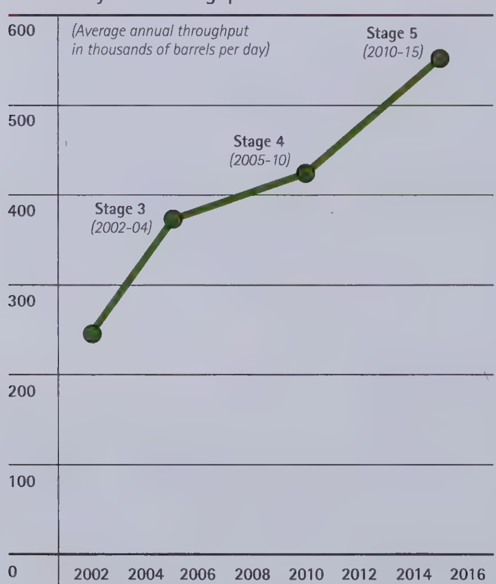
AOSPL System



Pembina completed the purchase of Alberta Oil Sands Pipeline Ltd. (AOSPL) on December 31, 2001. The strategic addition of the AOSPL system into Pembina's existing pipeline business will provide stable long-term, contract-based returns and significant, low risk development potential.

The purchase of the AOSPL system in late 2001 marks Pembina's entry into the substantial and rapidly developing oilsands production region of northeastern Alberta. AOSPL is the exclusive transporter for the Syncrude Project, the world's largest producer of crude oil from oilsands with current production in the 245,000 barrels per day range. The system, which includes 430 kilometers of mainline originating at Syncrude's production facilities north of Fort McMurray, Alberta and delivering into the Edmonton area, originally commenced operation in 1977 and has undergone several capacity expansions since that time. Ongoing Syncrude growth initiatives will enable Pembina to participate in the extensive and exciting development of the world-class Athabasca Oil Sands reserves, one of Canada's most important natural resources.

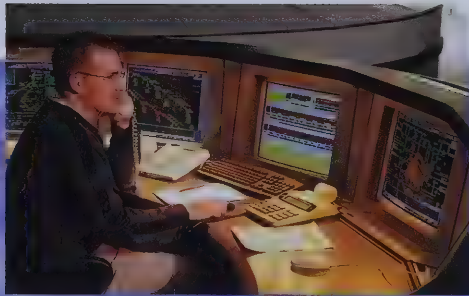
AOSPL Projected Throughput*



Throughput projections based on Syncrude longer-term growth plans (published January 2002)

In 1997 the Syncrude owners initiated an aggressive multi-year expansion program that, based on recently announced projections, may see production rise from present levels to ultimate production of an estimated 560,000 barrels per day in 2015. The expansion, referred to as "Syncrude 21" is currently underway, with the first two of five stages substantially complete. The Stage Three expansion, which is expected to see Syncrude production rise to about 370,000 barrels per day by 2005, is in progress and Stages Four and Five are slated for completion in roughly 2010 and 2015 respectively. Pembina will participate in this significant growth via phased in capacity expansion on AOSPL.

Pembina is determined to maintain and, where possible, enhance the high level of service provided to shippers on the AOSPL system. Pembina has essentially completed the transfer of pipeline control and monitoring functions and has developed appropriate back-up control facilities at an alternate location. This has contributed to a seamless ownership transition and, with the application of Pembina's rigorous operating standards, will promote the safe, reliable and cost-effective future operation of this system.



AOSPL transports synthetic crude oil for the Participants in the Syncrude Project under the terms of a long-term transportation agreement, with a current expiry at the end of 2035 and potential for extension beyond that point. Under the agreement, Pembina will earn attractive returns on current and future invested capital and will recover all operating costs. AOSPL will contribute stable incremental cash flow which, based on internal projections, will comprise 14 percent of Pembina's total operating income in 2002. That contribution is expected to increase upon the completion of each of the three planned expansion phases.

Pembina believes the AOSPL acquisition will provide important strategic and diversification benefits in the years ahead. The geographic reach of Pembina's pipeline network is extended into northeastern Alberta, a focal point for substantial current and planned oilsands investment. Pembina's operational risk profile is reduced with the addition of this stable, long-term asset to its network of pipeline systems.

Pembina System

The Pembina system serves the Pembina oilfield located in south central Alberta, the largest conventional oilfield in Canada. Nearing its 50th anniversary, this field has produced two billion barrels of oil to date and, with vast remaining reserves in place, is expected to continue to produce for many years to come.

The Pembina system has been in operation since 1954 and has benefitted from the significant development of the Pembina field over the past 50 years. Revenue contribution from this system has been stable in recent years as the modest decline in throughput, averaging about three percent annually, has been offset by performance improvements, enhanced operating efficiencies through system rationalization and toll adjustments.

Daily average throughput on the system was 87,400 barrels per day in 2001, consisting of 85 percent light conventional crude oil and 15 percent condensate. Volume decline on the system moderated to 2.6 percent during the year as stepped-up producer activity in the Pembina field over the past two years has arrested declines at some locations and resulted in the connection of production from new pools. Two new crude oil battery connections were completed in 2001. There were no significant environmental incidents on this system during the year.

While Pembina oilfield production has declined in recent years, a significant number of newer pools are currently being developed in the area. Producers continue to utilize new technology to enhance recovery and extend the life of this significant hydrocarbon reservoir.

NEBC System

Pembina's NEBC system transports 95 percent of the crude oil produced in the province of British Columbia. The three gathering lines that make up this system are well located to benefit from ongoing oil and gas development in the northeastern B.C. region that it serves.

The NEBC system contributed $6.5 million to consolidated operating income during the year, in line with management expectations for this British Columbia Utilities Commission regulated system. Operating on a cost of service basis, NEBC revenues are independent of volumes transported, and capital invested in the system earns an agreed rate of return.

The system transported an average of 41,000 barrels per day of crude oil in 2001, down four percent from the 2000 average for the period August 28, 2000 through December 31, 2000. Revenue of $13.1 million includes incremental costs and returns arising from $4.3 million in capital invested to reroute pipeline service around a creek crossing at risk from local slope instability. A new field office was constructed at Fort St. John, British Columbia to accommodate local operations and maintenance personnel.

Non-Operated Systems

Pembina holds a 50 percent and 10 percent undivided interest in the Bonnie Glen and Wabasca River pipeline systems respectively.

Throughput on the combined non-operated pipeline systems averaged 19,000 barrels per day (Pembina's net interest) during 2001 and contributed $5.9 million in revenue. Pembina's non-operated systems represent less than four percent of Pembina's total 2001 operating income.

Management's Discussion and Analysis

The following discussion and analysis of financial results is supplementary to the audited consolidated financial statements for the year ended December 31, 2001, therefore should be read in conjunction with those documents.

2001 HIGHLIGHTS[1]

> Pembina achieved record distributed cash and distribution payments

- distributed cash rose 28.8% to $80.9 million
- per unit cash distributions were increased by 9.4% to $1.05 per Unit

> The Fund completed three successful securities offerings

- $60 million of 8.25% convertible debentures issued March 21, 2001
- $87.5 million of 7.50% convertible debentures issued December 4, 2001; and
- $87.5 million of Trust Units issued December 4, 2001

> Operating income rose 43.7%

- with the inclusion of a full year of results for Federated and NEBC systems acquired in mid-2000

> Pembina completed the purchase of Alberta Oil Sands Pipeline Ltd.

- for $225 million[2] on December 31, 2001

Year ended December 31st (in thousands of dollars, except Trust Unit amounts)	2001	2000
Revenue	$ 191,647	$ 136,190
Operating Expenses	71,368	52,475
Net Operating Income	120,279	83,715
EBITDA[3]	114,112	79,852
Interest Expense	15,310	11,421
Net Earnings before Taxes and Goodwill Amortization	37,181	20,188
Net Earnings	40,271	52,488
Distributed Cash	80,913	62,818
Distributed Cash per Trust Unit	$ 1.05	$ 0.96
Trust Units Outstanding *(thousands of units, end of year)*	87,856	74,217
Market Capitalization *(thousands, end of year)*	$ 1,131,160	$ 649,400
Enterprise Value *(thousands, end of year)*	$ 1,446,160	$ 978,800

1 Pembina Pipeline Income Fund distributes cash generated by the pipeline operations of Pembina Pipeline Corporation
2 Gross purchase price subject to working capital adjustments
3 Earnings before interest, taxes, depreciation and amortization

RESULTS FROM OPERATIONS

Pembina's pipeline systems produced strong operating results during 2001, with improvements across all performance metrics.

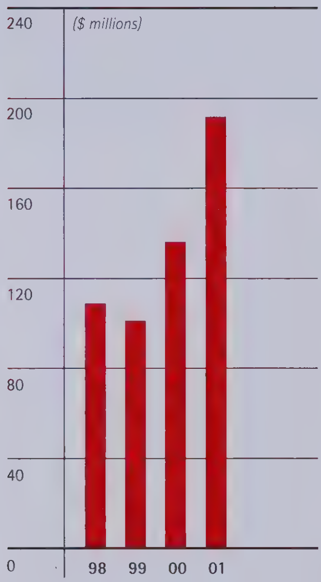
Average aggregate pipeline throughput rose to 512,100 barrels per day during 2001, a 28 percent increase from the 2000 average of 400,000 barrels per day. The increase reflects the inclusion of a full year of operating results for the Federated and NEBC pipeline systems, which were acquired July 31, 2000 and August 28, 2000, respectively. Pipeline revenue of $191.6 million was 41 percent higher in 2001 compared to $136.2 million in the prior year. The average aggregate tariff rose to $0.95 per barrel in 2001 from $0.93 for the previous year, reflecting a relative increase in receipts from higher toll areas and products, and also resulting from tariff adjustments implemented on some systems to offset higher costs and throughput declines.

EBITDA*

(in millions of dollars)	**2001**	2000
Net Operating Income (by pipeline system):		
Peace	**$ 56.4**	$ 48.3
Federated	**37.2**	14.6
Pembina	**16.3**	15.6
NEBC	**6.5**	2.1
Non-Operated	**3.9**	3.1
Other Expenses	**(6.2)**	(3.9)
	$ 114.1	$ 79.8

* Earnings before interest, taxes, depreciation and amortization

Revenue



Average throughput on the Peace system rose to 200,000 barrels per day during 2001, a two percent increase over the prior year. Crude receipts were almost ten percent stronger. Three new crude oil production batteries were tied-in to the LaGlace to Valleyview 12 inch line in 2001. NGL receipts were solid, year-over-year, despite a short-term service disruption at a third party delivery point in Fort Saskatchewan, Alberta in August. By the end of 2001, receipts of NGLs reached record levels as shippers at gas plants connected to the Peace Deep Basin mainline elected to extract and ship a greater quantity of ethane and other byproducts of natural gas production. The average calculated tariff on the Peace system was $1.17 per barrel in 2001 compared to a calculated average $1.02 for the preceding year. The increase reflects a proportional increase in receipts from more distant receipt points, a change in product mix to higher toll products and higher power costs. The Peace system represents one of Pembina's most promising growth areas and management will focus its attention on attracting new volumes to this system by offering safe, reliable and cost-effective service to area shippers and by working with customers to develop customized, innovative transportation alternatives.

The Federated pipelines posted a solid operating performance in 2001 despite outstanding issues impacting the Western and Miscible Flood systems. During its first full year of operations under Pembina ownership, the Federated pipelines transported an average 205,700 barrels per day. This compares to an average 222,600 barrels per day shipped for the period July 31, 2000 through December 31, 2000, a decrease of about 17,000 barrels per day. The primary cause of the shortfall was the significantly lower level of receipts on the Federated Miscible Flood system, as volumes of roughly 20,000 barrels per day were transported on an intermittent basis during the year. A return to continuous service on this line is not expected. The southern segment of the Western system remained out of service throughout 2001, awaiting the outcome of regulatory and legal proceedings. Higher than expected crude oil and NGL receipts on other Federated pipelines partially offset the decrease. Revenue generated by the Federated pipelines totaled $58.8 million in 2001 compared to $27.1 million for a partial year in 2000. Tolls on the Federated systems remained relatively flat averaging $0.78 per barrel in 2001 versus $0.79 per barrel in 2000.

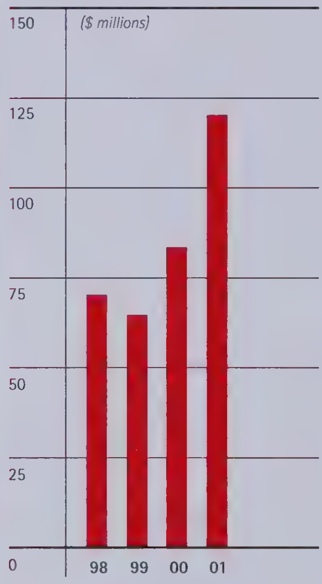
Throughput declines on the Pembina system have moderated as a result of increased capital spending in the Pembina oilfield. Pipeline throughput of 87,400 barrels per day compares to 89,700 barrels per day in 2000, a modest decline of 2.6 percent. Stronger demand for condensate saw a 5.6 percent increase in receipts of that product, however normal field declines pushed crude oil receipts lower by four percent. The system generated $28.3 million in revenue, almost $2 million higher than in 2000. Receipt of a larger proportion of higher toll

condensate volumes and the impact on tolls of higher power costs saw the average calculated tariff on this system rise to $0.89 per barrel from $0.81 per barrel in 2000. Two new crude oil battery connections were made to the Pembina mainline during 2001. Management's objective with respect to this mature, long-life system is to maintain Pembina's cash flow contribution at relatively consistent levels by focusing on operating efficiencies and ongoing system rationalization.

Pembina's NEBC pipelines generate a regulated rate of return and the annual revenue requirement is independent of throughput volumes. The NEBC system contributed five percent of Pembina's total operating income in 2001. Revenue requirement in 2001 totaled $13.1 million, an $8.8 million increase in revenue requirement over 2000, reflecting the impact of a full year of ownership of this system as well as increased costs and returns associated with the $4.3 million replacement of a pipeline crossing over St. John's creek.

Pembina's non-operated pipeline interests contributed three percent of total operating income in 2001. Performance stabilized on Pembina's 50 percent interest in Bonnie Glen during the year, with net working interest throughput of 18,000 barrels per day versus 20,700 in 2000. The diversion of crude oil volumes off this system to U.S. markets, which has caused a steep decline in system throughput volume in recent years, is expected to continue in 2002. Pembina's ten percent interest in the Wabasca River pipeline continues to produce consistent results, with an average net interest throughput of 1,000 barrels per day. The non-operated pipelines generated revenue of $5.9 million in 2001 and contributed $3.9 million in operating income.

Net Operating Income



Aggregate operating expenses of $71.4 million in 2001 were almost $19 million higher than 2000 and reflect increased costs associated with a full year of operation of the Federated and NEBC systems. Operating costs on a unit of throughput basis were 35.4 cents per barrel in 2001 compared to 34.7 cents in 2000. Power costs that were sharply higher over the first half of the year settled back by the fourth quarter. Insurance costs, driven up across the economy by energy losses and catastrophic international events, have increased substantially in 2001.

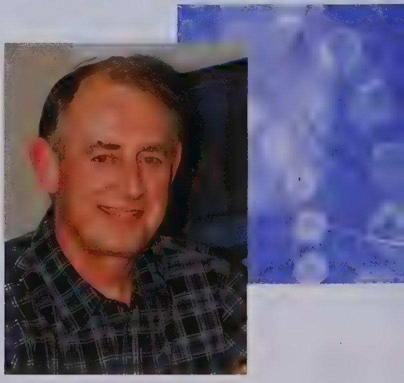
General and administrative expenses increased to $9.0 million in 2001 as the staff complement and office space was expanded to accommodate the growth in Pembina's pipeline operations over the past two years. G&A expense has remained consistent at 4.5 cents per barrel.

Depreciation and amortization for 2001 of $61.6 million compares to $48.2 million in 2000, reflecting a full year of operation of the assets acquired in 2000. Pipeline assets and facilities are depreciated on a declining balance basis at rates ranging from three percent to nine percent per annum. These rates have been established to depreciate original costs over the economic lives or contractual duration of the related assets.

Interest expense of $15.3 million compares with $11.4 million in 2000, increasing as a result of acquisition debt being outstanding for a full year in 2001 versus five months in 2000. The impact of interest payable on higher average debt was partially offset by lower interest rates in 2001. Pembina has fixed the interest rate on $100 million of debt, in increments of $25 million, at an average rate of 6.09 percent for terms of two to five years.

Other income totaled $3.7 million in 2001, compared with $3.5 million recorded in 2000. The sale of unused storage facilities at Hardisty, Alberta generated proceeds of $2.9 million. The future income tax reduction of $24.7 million is lower than the 2000 amount of $50 million. The 2001 reduction includes $9 million from a 2% Alberta provincial tax rate reduction, while the 2000 reduction includes a $34 million impact of a 7% reduction in the federal corporate tax rate. Net earnings are positively impacted by the future income tax reduction, however there is no impact on cash flow.

Net income before taxes and goodwill amortization of $37.2 million for 2001 was $17 million higher than 2000, primarily due to higher operating earnings from the full year effect of acquisitions completed in 2000.



DISTRIBUTED CASH

2001 Cash Distributions to Unitholders *($ per Trust Unit)*

Record Date	Payment Date	Taxable Other Income	Non-Taxable Amount	Total
January 31, 2001	February 15, 2001	$0.07506	$0.01244	$0.0875
February 28, 2001	March 15, 2001	$0.07506	$0.01244	$0.0875
March 31, 2001	April 12, 2001	$0.07506	$0.01244	$0.0875
April 30, 2001	May 15, 2001	$0.07506	$0.01244	$0.0875
May 31, 2001	June 15, 2001	$0.07506	$0.01244	$0.0875
June 30, 2001	July 13, 2001	$0.07506	$0.01244	$0.0875
July 31, 2001	August 15, 2001	$0.07506	$0.01244	$0.0875
August 31, 2001	September 14, 2001	$0.07506	$0.01244	$0.0875
September 30, 2001	October 15, 2001	$0.07506	$0.01244	$0.0875
October 31, 2001	November 15, 2001	$0.07506	$0.01244	$0.0875
November 30, 2001	December 14, 2001	$0.07506	$0.01244	$0.0875
December 31, 2001	January 15, 2002	$0.07506	$0.01244	$0.0875
Total 2001 Cash Distributions		**$0.90072**	**$0.14928**	**$1.0500**

The Fund's distributable cash is determined by deducting maintenance capital expenditures, debt repayments, interest on convertible debentures and working capital adjustments from the cash flow generated by operations. In 2001 the provision for debt repayment totaled $7.5 million. The working capital reserve, which represents cash flow in excess of cash distributed, is maintained to support stable distributions through industry cycles. At year-end 2001, the reserve totaled $10.4 million compared with $6.3 million at the end of 2000.

The total distribution in 2001 of $1.05 per Unit represents income of which $0.90072 per Unit is taxable "other income" and $0.14928 per Unit is non-taxable. For most Unitholders, the non-taxable portion is considered a return of capital and will reduce the cost base of each Unit.

LIQUIDITY AND CAPITAL RESOURCES

In mid-2000 Pembina arranged a $435 million credit facility with a syndicate of Canadian chartered banks to finance the purchase of the Federated and NEBC pipeline systems. This consisted of a $235 million revolving facility, a $30 million operating facility and a $170 million non-revolving loan due July 31, 2001. Pembina retired the remaining balance outstanding on the non-revolving facility by the due date, and subsequently increased the revolving facility to $265 million.

Pembina negotiated an additional $255 million syndicated credit facility to finance a portion of the purchase price and future capital requirements of the AOSPL system. This facility consists of a $65 million bridge loan, which was fully drawn as at December 31, 2001, and a $190 million expansion loan which will be drawn in stages to finance the phased capacity expansion of the AOSPL system.

As at December 31, 2001 Pembina had credit capacity of $550 million, of which $315 million was drawn and a further $190 million committed for the AOSPL expansion. Three securities offerings were successfully completed during the year; $60 million of 8.25% convertible debentures were issued March 21, 2001, and $87.5 million of 7.50% convertible debentures and $87.5 million of Trust Units were issued December 4, 2001. Pembina utilized the proceeds of these financings to repay acquisition debt. Pembina's senior debt to total capitalization was 22 percent at December 31, 2001, compared to the year earlier level of 36 percent, as Pembina successfully accessed the equity markets to finance growth initiatives.

Development capital spending totaled $10.4 million for 2001, of which approximately $0.6 million was expended on new connections, a further $7.9 million in upgrades and additions to Pembina's pipeline systems, with the balance of $1.9 million spent on major repairs. Maintenance capital spending increased to $1.2 million, from $0.4 million in 2000, reflecting the increased scope of Pembina's pipeline assets. 100% of the shares of AOSPL were acquired for a total net consideration of $215.2 million plus transaction costs of $7 million.

Insurance receivables have been reduced to $9.3 million at year-end 2001, consisting of $3.9 million associated with the 12 inch LaGlace to Fox Creek pipeline break on the Peace system, $2.2 million relating to the Pine River oil spill receivable and $3.2 million in costs still to be incurred by Pembina.

TRUST UNIT INFORMATION

Market capitalization of the Fund increased during the year reflecting the effect of three securities offerings in 2001 and significant appreciation in the trading value of Pembina's publicly traded securities. By December 31, 2001 Pembina's market capitalization was $1.1 billion compared to $650 million at the end of 2000. The Fund's market float increased by more than 18 percent to 87.9 million Trust Units outstanding at December 31, 2001.

	2001	2000
Trading Volume and Value		
Annual Total *(number of units)*	**30,074,920**	17,931,735
Daily Average *(number of units/day)*	**119,820**	71,441
Value Traded – annual *($ thousands)*	**$ 294,132**	$ 132,725
Trust Units Outstanding *(number of units)*	**87,856,000**	74,217,500
Year-End Unit Trading Price *($/unit)*	**$ 11.31**	$ 8.75
Market Capitalization *($ thousands)*		
Market Value of Trust Units	**$ 993,650**	$ 649,403
8.25% Convertible Debentures[1]	**$ 46,060**	$ nil
7.50% Convertible Debentures[2]	**$ 91,450**	$ nil
Total Market Capitalization	**$ 1,131,160**	$ 649,403
Debt Financing *(at December 31st)*	**$ 315,000**	$ 329,400
Total Capitalization	**$ 1,446,160**	$ 978,803

[1] $37.2 million principal amount of 8.25% convertible debentures outstanding at a market price of $123.95
[2] $86.3 million principal amount of 7.50% convertible debentures outstanding at a market price of $106.00

In 2001, changes in the Fund's capital structure facilitated the launch of a distribution reinvestment plan, which became effective with the May distribution payment. The program provides Unitholders with a convenient and cost-effective way to increase their ownership in the Fund.

OUTLOOK AND RISKS

The successful execution of Pembina's growth and operating strategies over the past two years has reduced the risk profile of Pembina's pipeline operations. The addition of the Federated and NEBC pipeline systems in mid-2000 and the AOSPL system in late 2001 diversifies Pembina's pipeline network both geographically and by product stream and spreads operating risk across a much broader array of pipeline assets.

Pembina's pipelines are connected to considerable reserves of conventional crude oil and natural gas and, more recently, reserves located in the Athabasca oilsands. While Pembina's throughput is not directly impacted by commodity prices and pipeline tolls are not linked in any way to price levels, Pembina relies on producer activity in the areas served by its pipeline systems to generate production additions to offset natural declines of connected volumes. Exploration and development activity in Pembina's growth areas, the Peace Deep Basin, Federated Northern, NEBC and now the oilsands system, has flourished over the past several years and industry projections indicate that these regions will continue to attract significant capital spending in the coming year.

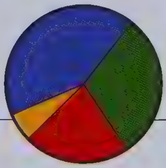
Pipeline safety and dependability is a primary focus at Pembina. A considerable proportion of Pembina's overall operating expenditures are directed toward regularly scheduled preventative maintenance programs which are augmented by technically sophisticated Supervisory Control and Data Acquisition (SCADA) and leak monitoring systems. These systems are designed to manage operational risk and provide for quick response in the event an incident occurs. The year 2002 will see the start of a two year program to upgrade the SCADA systems of the newly acquired pipeline systems. This program will include the establishment of a "back-up" control center in Drayton Valley, Alberta. Commitment to safety and the environment starts at the top at Pembina. Safety and environmental audits are conducted on a regular and ongoing basis, with results reported to Pembina's management and Board of Directors. In the unfortunate event that an incident occurs, Pembina maintains a comprehensive insurance program, including seepage and pollution coverage.

In general, Pembina's pipelines are not economically regulated, except on a complaint basis. Pembina is presently engaged in regulatory and legal proceedings in the Province of British Columbia in respect of resumption of service and tolling on the Federated Western System. The outcome of these proceedings will have an impact, expected by management to range from neutral to positive, on Pembina's future financial results. The magnitude of the impact will depend on the timing and terms of the ultimate resolution of this issue.

Pembina's pipelines operate in a competitive environment, and management remains focused on building competitive advantage by identifying service enhancements and achieving operating efficiencies to attract new volumes. The Alliance Pipeline, a natural gas gathering and transmission line which went into service in late 2000, will compete for volumes of natural gas liquids transported on Pembina's Peace and Northern pipeline systems. Increased natural gas export capacity created by the entrance of the Alliance pipeline service combined with strong commodity prices in 2000 and early 2001 has promoted increased production of natural gas and natural gas liquids in the northwestern Alberta and northeastern British Columbia region served by Alliance and Pembina. By the end of the fourth quarter of 2001, Pembina posted record receipts of ethane and NGLs from connected gas plants. Since the startup of the Alliance pipeline, Pembina has not detected any measurable negative impact on results, and indeed has benefited from increased demand for ethane and NGLs pipeline transportation. However, Pembina operates in a dynamic environment and continues to work closely with customers to monitor and manage this risk.

Throughput Composition*

> Conventional crude oil
> Synthetic crude oil
> Natural gas liquids
> Condensate



* At January 31, 2002, including AOSPL

The Fund has announced its 2002 target distribution objective of $1.05 per Trust Unit, consistent with the distribution level established in 2001. The successful realization of this objective will depend on actual 2002 operating and financial results that may vary from forecast. Based on what Management believes to be realistic and somewhat conservative assumptions, this objective appears reasonable; however, as with any forecast, results are subject to potential variance – both favorable and unfavorable – that could cause actual results to vary considerably from expectations.

Selected Quarterly Financial Information

(In thousands of dollars, except per Trust Unit amounts)	**2001**				2000			
	Q1	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Gross Revenue	**47,423**	**46,603**	**47,855**	**49,766**	25,316	24,995	38,075	47,804
EBITDA	**26,842**	**29,107**	**28,014**	**30,149**	15,033	15,057	23,669	26,093
Net Earnings	**5,401**	**16,793**	**8,498**	**9,579**	5,538	5,469	5,270	36,211
Distributed Cash	**19,648**	**19,879**	**20,065**	**21,321**	14,993	14,993	15,028	17,804
Distributions per Trust Unit	**0.2625**	**0.2625**	**0.2625**	**0.2625**	0.2400	0.2400	0.2400	0.2400

The information contained in this Management's Discussion and Analysis contains certain forward-looking statements that are based on the Fund's current expectations, estimates, projections and assumptions in light of its experience and its perception of historical trends. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to, the impact of competitive entities and pricing, reliance on key alliances and agreements, the strength and operations of the oil and natural gas production industry and related commodity prices, regulatory environment, fluctuations in operating results and certain other risks detailed from time to time in the Fund's public disclosure documents.

Manager's Report

The consolidated financial statements of Pembina Pipeline Income Fund are the responsibility of Pembina Management Inc. (the "Manager"). The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the Manager's best estimates and judgments, where appropriate.

The Manager is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The Manager believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Manager maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors are responsible for ensuring that the Manager fulfills its responsibilities for financial reporting and internal control. The Board are assisted in exercising their responsibilities through the Audit Committee, which is composed of three non-management Directors. The Committee meets periodically with the Manager and the auditors to satisfy itself that the Manager's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG LLP, the independent auditors, have audited the Fund's financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

Robert B. Michaleski
President and
Chief Executive Officer

Peter D. Robertson
Vice President Finance and
Chief Financial Officer

March 4, 2002

Auditors' Report to the Unitholders

We have audited the consolidated balance sheets of Pembina Pipeline Income Fund as at December 31, 2001 and 2000 and the consolidated statements of earnings, distributed cash and cash flows for years then ended. These financial statements are the responsibility of the Fund manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 4, 2002

Consolidated Balance Sheets

December 31, 2001 and 2000 (In thousands of dollars)	2001	2000
ASSETS		
Current assets:		
Cash and term deposits	$ 4,564	$
Accounts receivable	24,179	24,413
Insurance recoveries	9,250	18,000
	37,993	42,413
Property, plant and equipment (NOTE 4)	1,036,889	857,496
Goodwill, net of accumulated amortization	222,670	214,890
	$ 1,297,552	$ 1,114,799
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$	$ 992
Accounts payable and accrued liabilities	16,807	17,538
Clean up costs accrued	3,200	7,593
Distributions payable to Unitholders	7,687	5,937
Current portion of bank loan	7,800	86,000
	35,494	118,060
Bank loan (NOTE 5)	307,200	243,423
Future income taxes (NOTE 9)	185,800	182,200
Unitholders' equity:		
Trust Units (NOTE 6)	789,952	665,648
Convertible debentures (NOTE 7)	118,306	
Earnings to date	131,900	95,655
Distributions to date	(271,100)	(190,187)
	769,058	571,116
	$ 1,297,552	$ 1,114,799

On behalf of the Board of

PEMBINA PIPELINE CORPORATION:

L.B. Gordon
Director

D.N. Kitchen
Director

See accompanying notes.

Consolidated Statements of Earnings

Years ended December 31, 2001 and 2000 *(In thousands of dollars, except per Trust Unit amounts)*	2001	2000
Revenue	$ 191,647	$ 136,190
Expenses:		
Operations	71,368	52,475
General and administrative	8,983	6,864
Management fee	851	547
Depreciation and amortization	61,621	48,243
	142,823	108,129
Operating earnings	48,824	28,061
Interest expense	(15,310)	(11,421)
Other income	3,667	3,548
Earnings before taxes and goodwill amortization	37,181	20,188
Capital taxes	(1,090)	(390)
Future income tax reduction (NOTE 9)	24,700	50,000
Net earnings before goodwill amortization	60,791	69,798
Goodwill amortization	(20,520)	(17,310)
Net earnings	40,271	52,488
Earnings to date, beginning of year	95,655	43,167
Interest on convertible debentures	(4,026)	
Earnings to date, end of year	$ 131,900	$ 95,655
Earnings per Trust Unit (NOTE 8)	$ 0.52	$ 0.80
Diluted earnings per Trust Unit (NOTE 8)	$ 0.49	$ 0.80

See accompanying notes.

Consolidated Statements of Distributed Cash

Years ended December 31, 2001 and 2000 *(In thousands of dollars, except per Trust Unit amounts)*	2001	2000
Net earnings	$ 40,271	$ 52,488
Add (deduct):		
Depreciation and amortization	82,141	65,553
Interest on convertible debentures	(4,026)	
Future income tax reduction	(24,700)	(50,000)
Maintenance capital expenditures	(1,183)	(361)
Debt repayments	(7,500)	(415)
Increase in working capital reserve	(4,090)	(4,447)
Distributed cash	$ 80,913	$ 62,818
Distributed cash per Trust Unit (NOTE 8)	$ 1.05	$ 0.96
Diluted distributed cash per Trust Unit (NOTE 8)	$ 1.03	$ 0.96

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended December 31, 2001 and 2000 *(In thousands of dollars)*	2001	2000
Cash provided by (used in):		
Operations:		
Net earnings	$ 40,271	$ 52,488
Items not involving cash:		
Depreciation and amortization	82,141	65,553
Future income tax reduction	(24,700)	(50,000)
Cash flow from operations	97,712	68,041
Changes in non-cash working capital	(4,820)	(14,582)
	92,892	53,459
Financing:		
Bank borrowings	233,000	407,532
Repayment of bank loan	(247,423)	(84,000)
Issue of convertible debentures	142,372	
Issue of Trust Units (NOTE 6)	100,237	86,808
Distributions to Unitholders – current year	(73,226)	(56,881)
Distributions to Unitholders – prior year	(5,937)	(4,372)
Interest on convertible debentures	(2,567)	
	146,456	349,087
Investments:		
Acquisition of AOSPL (NOTE 3)	(222,220)	
Acquisition of Federated (NOTE 3)		(361,515)
Purchase of NEBC pipelines (NOTE 3)		(39,194)
Development capital expenditures	(10,389)	(3,508)
Maintenance capital expenditures	(1,183)	(361)
Other assets		(2,000)
Changes in non-cash working capital		3,941
	(233,792)	(402,637)
Change in cash and term deposits	5,556	(91)
Bank indebtedness, beginning of year	(992)	(901)
Cash and term deposits (bank indebtedness), end of year	$ 4,564	$ (992)

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000
(Tabular amounts stated in thousands of dollars, except per Trust Unit amounts)

1. STRUCTURE OF THE FUND:

Pembina Pipeline Income Fund (the "Fund") is an open-ended, single purpose trust formed under the laws of the Province of Alberta pursuant to a declaration of trust dated September 4, 1997. The Fund commenced operations on October 24, 1997 when it acquired all of the shares and notes of Pembina Pipeline Corporation ("Pembina") which owns or has interests in pipelines and related facilities to deliver crude oil, condensates and natural gas liquids in Alberta and British Columbia.

The Fund makes monthly distributions of its distributable cash to Unitholders of record on the last day of each calendar month. The amount of the distributions per Trust Unit are equal to the pro-rata share of interest income (and in certain circumstances repayment of principal) on the Pembina notes and dividends (and in certain circumstances repayment of capital) on the Pembina shares less expenses of the Fund and cash redemptions of Trust Units.

Pursuant to the Fund's distribution policy, it will pay interest, principal, dividends and capital subject to retaining an appropriate working capital reserve, satisfying its financing covenants, making loan repayments and, if applicable, funding future removal and site restoration reserves. Pembina's maintenance capital expenditures are expected to be funded from available cash while ongoing pipeline development, expansions and acquisitions of pipeline assets and related facilities will be funded primarily through borrowings by Pembina or issuance of additional Trust Units by the Fund.

Pembina is managed by Pembina Management Inc. (the "Manager") pursuant to a management agreement. As compensation for its services, the Manager was entitled to:

(a) a management fee equal to 0.9675% of distributed cash;

(b) an acquisition fee of 0.645% of the purchase price of any material pipeline asset or facility acquired or swapped;

(c) a disposition fee of 0.48375% of the sales price of any material pipeline asset or facility sold; and

(d) an annual incentive fee calculated as a percentage of distributed cash per Trust Unit as follows: 4.8375% of such distribution equal to or in excess of $1.05 per Trust Unit annually but less than $1.09 per Trust Unit annually; 6.45% of such distribution equal to or in excess of $1.09 per Trust Unit annually but less than $1.19 per Trust Unit annually; and 7.74% of such distribution equal to or in excess of $1.19 per Trust Unit annually.

Prior to June 30, 2001, the management fee was 0.87% of distributed cash, 0.58% of any material acquisition and 0.435% of any material disposition. The annual incentive was increased by 11%.

Prior to January 4, 2000, the management fee was 1.5% of distributed cash, 1.0% of any material acquisition and 0.75% of any material disposition. The annual incentive fee was decreased by 42% on January 5, 2000. On January 4, 2000, a payment of $2 million was made to restructure the management agreement.

In 2001 the Manager was paid a fee of $0.8 million (2000 – $0.5 million) and acquisition fees of $1.5 million (2000 – $2.3 million).

Pursuant to an administration agreement, as compensation for its administrative services to the Fund, the Manager receives an annual fee of $20,000.

2. SIGNIFICANT ACCOUNTING POLICIES:

The preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of the Manager, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Fund, its wholly owned subsidiary companies and partnerships, its 50% operating interest in Taylor Pipeline, its 50% non-operating interest in Bonnie Glen Pipeline and its 10% non-operating interest in Wabasca River Pipeline. As the Fund's undivided interests in Taylor, Bonnie Glen and Wabasca are with others, the accounts reflect only its proportionate interest in such activities.

(b) Operating inventories:

Operating inventories are stated at the lower of cost and net realizable value.

(c) Property, plant and equipment:

Development capital expenditures (upgrades and expansions) and maintenance capital expenditures (major renewals and improvements) are capitalized at cost. Maintenance and repair costs are expensed as incurred. Interest is capitalized during the construction phase of large expansions.

(d) Depreciation:

Pipeline assets and facilities are depreciated using the declining balance method at rates ranging from 3% to 9% per annum. These rates are established to depreciate original costs over the economic lives or contractual duration of the related assets.

(e) Future removal and site restoration obligation:

A provision for future removal and site restoration obligations has not been made. Obligations will be accrued when reasonably estimable as industry practices and legislation develop. These obligations, net of any expected recoveries, are not expected to have a material effect on the Fund's consolidated financial position. Removal and site restoration costs are currently expensed when incurred.

(f) Income taxes:

Income taxes, based on current legislation, are recorded on the liability method of accounting as the subsidiaries are projected to be taxable in the future. Income tax obligations relating to distributions from the Fund are the obligations of the Unitholders. Accordingly, no provision for income taxes on the earnings of the Fund have been made.

(g) Goodwill:

Goodwill represents the difference between the fair value and the tax base of assets acquired through business combinations. Goodwill is amortized using the declining balance method at rates approximating depreciation of pipeline assets and facilities. The measurement methodology used to evaluate whether there is a permanent impairment in the value of the unamortized portion of goodwill is based on undiscounted cash flows.

(h) Employee pension plan:

The Fund maintains a non-contributory defined benefit pension plan covering its employees. The cost of pension benefits earned by employees in the defined benefit plan is charged to earnings as services are rendered using the projected benefit method prorated on service. The cost of the defined benefit plan reflects management's estimate of the rate of return on pension plan assets, salary escalations, mortality and other factors affecting the payment of future benefits. Adjustments arising out of plan amendments, changes in assumptions and experience gains and losses are normally amortized over the expected remaining average service life of the employee group.

(i) Derivative financial instruments:

The Fund is party to interest rate swap contracts that are used to manage the exposure to risks from changing interest rates. These instruments are not recognized in the consolidated financial statements on inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on bank loans.

3. ACQUISITIONS:

The acquisition of Alberta Oil Sands Pipeline Ltd. has been accounted for by the purchase method of accounting. The acquisition was completed on December 31, 2001 and the results of operations will be accounted for from that date.

Net assets acquired:		
Property, plant and equipment	$	229,850
Current assets		751
Current liabilities		(8,381)
Goodwill		28,300
Future income taxes		(28,300)
	$	222,220
Consideration:		
Cash	$	215,220
Transaction costs		7,000
	$	222,220

Pursuant to the tariff agreement, the shippers may require the Fund to expand, add or alter the line to accommodate planned production increases. It is currently estimated that the Fund may have to spend $190 million on the line expansion and financing costs between 2002 and 2005.

The acquisition of Federated Pipe Lines Ltd. has been accounted for by the purchase method of accounting. The acquisition was completed on July 31, 2000 and the results of operations have been included in these financial statements from that date.

Net assets acquired:		
Property, plant and equipment	$	363,283
Current assets		8,696
Current liabilities		(10,464)
Goodwill		77,000
Future income taxes		(77,000)
	$	361,515
Consideration:		
Cash	$	234,979
Bank loan and other debt assumed		113,405
Transaction costs		13,131
	$	361,515

The acquisition of the NEBC pipelines has been accounted for as an asset acquisition. The acquisition was completed on August 28, 2000 and the results of operations have been included in these financial statements from that date.

Net assets acquired:		
Property, plant and equipment	$	41,367
Property taxes		(201)
Rate stabilization provision		(1,972)
	$	39,194
Consideration:		
Cash	$	38,360
Transaction costs		834
	$	39,194

4. PROPERTY, PLANT AND EQUIPMENT:

	2001	2000
Pipeline assets and facilities, at cost	$ 1,221,081	$ 979,545
Less accumulated depreciation	(189,489)	(129,568)
	1,031,592	849,977
Other assets, net of accumulated amortization	2,577	4,645
Operating inventory	2,720	2,874
	$ 1,036,889	$ 857,496

5. BANK LOAN:

	Available facilities at December 31, 2001	2001	2000
Operating facility	$ 30,000	$	$ 8,423
Revolving credit facility	265,000	250,000	235,000
Revolving credit facility	190,000		
Term loan	65,000	65,000	
Non revolving credit facility			86,000
		315,000	329,423
Less current portion		(7,800)	(86,000)
Balance December 31		$ 307,200	$ 243,423

The Fund's credit facilities are syndicated facilities established with Canadian chartered banks (collectively, the "Facilities"). The $265 million revolving credit facility and the $30 million operating facility will revolve until July 30, 2002 where upon it is expected to be renewed for a further 364 days. If the lenders do not extend the facility, the amounts become repayable over four years with 25% of the principal due over the four year term to be paid in equal quarterly payments and the balance due at the end of the term. In this event $7.8 million would be due within 12 months. The $190 million revolving credit facility, committed for funding the future expansion of the Alberta Oil Sands Pipeline, matures on December 31, 2004 and the $65 million term loan matures on June 30, 2003.

Borrowings bear interest at the banks prime lending rates, bankers' acceptances rates plus stamping fees or U.S. LIBOR rates plus applicable margins. The margins vary depending on specified financial ratios and can range from nil to 1.75%. The Facilities are secured by a floating charge debenture on the assets of the Company and its subsidiaries, guarantees of the subsidiaries and a pledge of the subsidiaries' shares.

During 2001 the Fund paid interest of $15.3 million (2000 – $11.5 million) on the facilities.

At December 31, 2001 the $30 million renewable operating facility was reduced by outstanding letters of credit aggregating $3.5 million (2000 – $5.4 million).

In 2001 the Fund entered into four interest rate swaps for a notional amount of $25 million per swap whereby the Fund receives a floating rate and pays a fixed rate averaging 6.09%. The swaps mature from time to time up to August 29, 2006. The fair value of the swaps at December 31, 2001 was an unrecognized loss of $3.6 million.

In the event that the facilities are not renewed, scheduled repayments of bank loans are as follows:

Year	
2002	$ 7,800
2003	80,625
2004	15,625
2005	15,625
2006	195,325
	$ 315,000

6. TRUST UNITS:

The Fund is authorized to create and issue an unlimited number of Trust Units.

	Trust Units	Amount
Balance, January 1, 2000	62,469,000	$ 578,840
Exercise of unit options	248,500	1,687
New issue net of costs	11,500,000	85,121
Balance, December 31, 2000	74,217,500	665,648
Exercise of unit options	2,213,374	17,070
Debenture conversions	2,654,545	24,066
DRIP	20,110	203
New issue, net of costs	8,750,000	82,965
Balance, December 31, 2001	**87,855,529**	**$ 789,952**

Trust Units are redeemable at any time at the option of the holder. The redemption price is equal to the lessor of 95% of the average market price of the Trust Units during a 10 day period commencing immediately after the redemption date and the closing market price on the redemption date. The total amount payable by the Fund in respect of redemptions in any calendar month shall not exceed $250,000. To the extent that a Unitholder is not entitled to receive cash upon the redemption of the Trust Units, the redemption price shall be satisfied by way of the Fund distributing a pro-rata number of Pembina notes, shares or securities of other businesses, if any, acquired from time to time.

A unitholders rights plan was approved by the Unitholders on April 30, 1999. If a bid to acquire control of the Fund is made, the plan is designed to give the board of directors time to consider alternatives to allow Unitholders to receive full and fair value for their units. In the event that a bid, other than a permitted bid, is made, Unitholders become entitled to exercise rights to acquire Units of the Fund at 50% of market value.

The Fund has a Trust Unit Option Plan under which directors, officers and employees are eligible to receive options. The number of units reserved is limited to 6,242,500 Trust Units, subject to increase with the approval of the Unitholders. The options expire seven calendar years after their grant. As at December 31, 2001, options to purchase 1,475,026 (2000 – 3,588,200) Trust Units were outstanding with a weighted average remaining contractual life of 5.0 years (2000 – 6.0 years). The outstanding options are exercisable at prices ranging from $6.75 to $9.76 per Unit.

Trust Unit Options	Number of Options	Weighted average Exercise price
Outstanding, January 1, 2000	2,252,300	$ 7.54
Granted	1,619,400	7.91
Expired	(35,000)	7.71
Exercised	(248,500)	6.79
Outstanding and exercisable, December 31, 2000	3,588,200	7.76
Granted	100,200	9.76
Exercised	(2,213,374)	7.68
Outstanding and exercisable December 31, 2001	**1,475,026**	**$ 8.02**

During the second quarter the Fund instituted a Distribution Reinvestment Plan ("DRIP") entitling Unitholders to reinvest cash distributions in additional Units of the Fund. The Units under the plan may be issued from treasury at the weighted average price of all Trust Units traded on the Toronto Stock Exchange for the five trading days preceding a distribution payment date or acquired in the open market at prevailing market prices following a distribution payment date.

7. CONVERTIBLE DEBENTURES:

On March 21, 2001, the Fund issued $60.0 million in 8.25% convertible unsecured subordinated debentures maturing on March 31, 2006 (the "Debentures"). The net proceeds of the issue were $58.0 million which were used to fund repayments on the existing bank facilities. The Debentures may be converted at the option of the holder at a conversion price of $9.00 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after April 1, 2004. The Fund may, at its option, after April 1, 2004 elect to redeem the Debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units.

On December 4, 2001, the Fund issued $87.5 million in 7.50% convertible unsecured subordinated debentures maturing on June 30, 2007 (the "Debentures"). The net proceeds of the issue were $84.7 million which were used to fund repayments on the existing bank facilities. The Debentures may be converted at the option of the holder at a conversion price of $10.50 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after June 30, 2005. The Fund may, at its option, after June 30, 2005 elect to redeem the Debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units.

8. AMOUNTS PER UNIT:

Effective January 1, 2001, the Fund adopted the "treasury stock" method of accounting for earnings per Trust Unit; prior thereto, the imputed earnings method was used. The treasury stock method assumes that proceeds received from the exercise of in-the-money Unit options are used to repurchase Trust Units at the average market rate for the period. At December 31, 2001, this adoption had no effect on current or previously reported earnings per Unit and an increase of $0.02 (2000 – nil) on diluted distributed cash per Unit.

The per Unit amounts for net earnings and distributed cash are based on weighted average units outstanding for the year. The weighted average Units outstanding for 2001 were 77,084,000 units (2000 – 65,436,000).

In computing diluted earnings and distributed cash per Trust Unit, 5,741,000 (2000 – nil) Units were added to the weighted average number of Units outstanding for the dilutive effect of employee Unit options and convertible debentures.

9. INCOME TAXES:

The components of the subsidiaries future income tax liability are as follows:

	2001	2000
Difference between book values and tax values	$ 191,992	$ 200,455
Benefit of unused losses	(5,771)	(17,320)
Other	(421)	(935)
	$ 185,800	$ 182,200

The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Fund's earnings before taxes. This difference results from the following items:

	2001	2000
Earnings before taxes	$ 37,181	$ 20,188
Combined federal and provincial tax rate	42.1%	44.6%
Computed "expected" income tax expense	$ 15,700	$ 9,000
Interest deductions of subsidiaries	(31,400)	(25,000)
Reduction in federal income tax rates		(34,000)
Reduction in provincial income tax rates	(9,000)	
Future income tax reduction	$ (24,700)	$ (50,000)

The operations of the Fund and its subsidiaries are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are tax matters that have not yet been confirmed by taxation authorities. The Fund believes the provision made for income taxes is adequate.

10. EMPLOYEE PENSION PLAN:

The Fund maintains a non-contributory defined benefit pension plan covering its employees. The plan provides benefits based on projections of employees' compensation levels to the time of retirement.

Information about the defined benefit plan is as follows:

	2001	2000
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 39,177	$ 37,469
Current service cost	1,878	1,638
Interest cost	2,631	3,011
Benefits paid	(2,413)	(2,941)
Actuarial loss	2,541	
Impact of transition	(2,793)	
Accrued benefit obligation, end of year	$ 41,021	$ 39,177
Plan assets		
Fair value of plan assets, beginning of year	$ 40,958	$ 40,747
Annual return on plan assets	(999)	3,152
Benefits paid	(2,413)	(2,941)
Fair value of plan assets, end of year	$ 37,546	$ 40,958
Funded status – surplus (deficit)	$ (3,475)	$ 1,781
Unamortized net actuarial loss	6,207	
Unamortized transitional asset	(3,996)	
Accrued benefit asset (liability)	$ (1,264)	$ 1,781

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	2001	2000
Discount rate	7.1%	7.0% – 8.0%
Expected long-term rate of return on plan assets	7.5%	7.0% – 8.0%
Rate of compensation increase	5.0%	3.5% – 5.5%

The Fund's net benefit plan expense is as follows:

	2001	2000
Current service cost	$ 1,878	$ 1,638
Interest cost	2,631	3,011
Expected return on plan assets	(2,960)	(3,142)
Amortization of transitional asset	(285)	
Net benefit plan expense	$ 1,264	$ 1,507

On an ongoing plan funding basis, the plan is fully funded at December 31, 2001 with a funding surplus of $1.4 million.

11. FINANCIAL INSTRUMENTS:

Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value due to the relatively short periods to maturity, the demand nature of the instruments or the indexed rate on bank loans.

Interest rate risk

At December 31, 2001 the Fund was exposed to changes in interest rates on $215 million of bank borrowings. The Fund has fixed the interest rate on the remaining $100 million of bank borrowings through interest rate swaps (see note 5).

Credit risk

A major portion of the accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The Fund has historically collected its accounts receivable in full. The Fund has the ability to exercise lien rights on oil and natural gas liquids which are in custody of the Fund during the transportation of such product on the pipelines.

12. PENDING ACCOUNTING CHANGE:

The Canadian Institute of Chartered Accountants has recently issued Section 3062, Goodwill and Other Intangible Assets. This new standard requires that goodwill be tested for impairment on an annual basis. A goodwill impairment loss should be recognized when the carrying amount of the goodwill exceeds its fair value. The fair value of the goodwill is determined in the same manner as it would be determined in a business combination. The Fund is required to adopt this new standard for fiscal years beginning on or after January 1, 2002. The Fund has assessed that the initial adoption of this standard will have no impact on the consolidated financial position of the Fund.

Supplemental Information (unaudited)

QUARTERLY FINANCIAL STATISTICS

($000's except per Trust Unit)		2001 1st Quarter	2001 2nd Quarter	2001 3rd Quarter	2001 4th Quarter	**Year Ended Dec. 31/01**	Year Ended Dec. 31/00
Operating revenue		47,423	46,603	47,855	49,766	**191,647**	136,190
Operating expense		18,245	18,143	18,325	16,655	**71,368**	52,475
General and administrative		2,166	2,114	2,143	2,560	**8,983**	6,864
Management fee		170	173	267	241	**851**	547
Depreciation and amortization		15,417	15,416	15,421	15,367	**61,621**	48,243
Operating earnings		11,425	10,757	11,699	14,943	**48,824**	28,061
Interest		5,112	3,793	3,517	2,888	**15,310**	11,421
Other income		7	(2,934)	(894)	154	**(3,667)**	(3,548)
Capital and other taxes		375	375	148	192	**1,090**	390
Future income tax reduction		(4,600)	(12,400)	(4,700)	(3,000)	**(24,700)**	(50,000)
Net earnings before goodwill amortization		10,531	21,923	13,628	14,709	**60,791**	69,798
Goodwill amortization		5,130	5,130	5,130	5,130	**20,520**	17,310
Net earnings		5,401	16,793	8,498	9,579	**40,271**	52,488
Add:	Depreciation and amortization	20,547	20,546	20,551	20,497	**82,141**	65,553
	Future income tax reduction	(4,600)	(12,400)	(4,700)	(3,000)	**(24,700)**	(50,000)
Cash flow from operations		21,348	24,939	24,349	27,076	**97,712**	68,041
Deduct:	Interest on convertible debentures	(149)	(1,221)	(1,197)	(1,459)	**(4,026)**	–
	Maintenance capital expenditures	(239)	(383)	(133)	(428)	**(1,183)**	(361)
	Debt repayments	(2,871)	(2,129)	(2,500)	–	**(7,500)**	(415)
	Changes in working capital reserve	1,559	(1,327)	(454)	(3,868)	**(4,090)**	(4,447)
Distributed cash		$ 19,648	$ 19,879	$ 20,065	$ 21,321	**$ 80,913**	$ 62,818
Trust Units Outstanding *(end of period in thousands)*		75,129	76,058	76,617	87,856	**87,856**	74,218
Distributed Cash per Trust Unit		$ 0.2625	$ 0.2625	$ 0.2625	$ 0.2625	**$ 1.0500**	$ 0.9600
– taxable "Income from a Trust"		$ 0.2252	$ 0.2252	$ 0.2252	$ 0.2252	**$ 0.9008**	$ 0.7702
– non-taxable "Capital Distribution from a Trust"		$ 0.0373	$ 0.0373	$ 0.0373	$ 0.0373	**$ 0.1492**	$ 0.1898

QUARTERLY OPERATING STATISTICS

(unaudited)	2001 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	**Year Ended Dec. 31/01**	Year Ended Dec. 31/00
Pipeline Throughput – By Pipeline System *(thousands of barrels per day)*						
Peace System	205.2	201.1	191.8	202.0	**200.0**	195.4
Pembina System	92.9	88.6	82.9	85.3	**87.4**	89.7
Federated System	207.0	198.1	210.4	207.5	**205.7**	93.1
NEBC System[1]	42.1	41.4	39.7	40.6	**41.0**	14.3
Non-Operated Interests	19.9	19.8	18.3	18.0	**19.0**	21.8
Total Pipeline Throughput	525.0	507.6	503.4	512.8	**512.1**	400.0
System-Wide Average Tariff *($ per barrel)*	0.93	0.93	0.96	0.98	**0.95**	0.93

TRUST UNIT TRADING ACTIVITY[2]

(unaudited)	2001 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	**Year Ended Dec. 31/01**	Year Ended Dec. 31/00
Unit Trading Price - High	$ 9.35	$ 9.90	$ 10.10	$ 11.45	**$ 11.45**	$ 8.75
- Low	$ 8.50	$ 9.05	$ 9.25	$ 9.75	**$ 9.75**	$ 5.85
- Close	$ 9.20	$ 9.50	$ 9.90	$ 11.31	**$ 11.31**	$ 8.75
Volume Traded *(number of trust units)*	6,254,160	6,478,198	5,738,775	11,603,787	**30,074,920**	17,931,735
Trust Units Outstanding *(end of period)*	75,128,683	76,057,632	76,616,927	87,855,529	**87,855,529**	74,217,500
Trust Units Outstanding *(weighted average)*					**77,084,000**	65,436,000

HISTORIC UNITHOLDER DISTRIBUTIONS AND TAX TREATMENT[3]

	1997	1998	1999	2000	**2001**
Total Annual Distribution Declared *($ per Trust Unit)*	0.140000	0.950000	0.950000	0.960000	**1.050000**
Taxable "Other Income"	0.099200	0.618900	0.783000	0.770208	**0.900768**
Non-Taxable "Return of Capital"	0.040800	0.331100	0.167000	0.189792	**0.149232**
Cost Base - beginning of period	10.000000	9.959200	9.628100	9.461100	**9.271308**
Less: Return of Capital	0.040800	0.331100	0.167000	0.189792	**0.149232**
Cost Base - end of period	9.959200	9.628100	9.461100	9.271308	**9.122076**

1 NEBC throughput is not included in total volume as product is transferred to other Pembina pipelines.
2 Pembina Pipeline Income Fund trust units trade on the Toronto Stock Exchange under the symbol PIF.UN.
3 Cost base for units held from inception (October 1997).

Supplemental Information (unaudited)

continued

FIVE YEAR PIPELINE THROUGHPUT STATISTICS

(Included as "Supplemental Information - Unaudited" - 2001 Annual Report to Unitholders)

(average annual throughput in thousands of barrels per day)	**2001**	2000	1999	1998	1997
Peace System					
Crude Oil	**95.5**	87.1	83.5	92.3	102.1
Condensate	**25.8**	29.7	31.0	38.8	34.6
Natural Gas Liquids	**78.7**	78.6	77.9	70.2	61.9
Total Peace System	**200.0**	195.4	192.4	201.3	198.6
Federated System[2]					
Crude Oil	**105.6**	102.2	128.4	134.4	135.0
Condensate	**17.2**	19.9	19.3	14.7	15.8
Natural Gas Liquids	**82.9**	100.5	84.7	77.1	87.5
Total Federated System	**205.7**	222.6	232.4	226.2	238.3
Pembina System[1]					
Crude Oil	**74.3**	77.3	82.7	84.0	87.9
Condensate	**13.1**	12.4	10.9	17.2	15.0
Total Pembina System	**87.4**	89.7	93.6	101.2	102.9
NEBC System[3,5]					
Total NEBC *(crude oil)*	**41.0**	42.9	42.9	48.0	45.0
Non-Operated Interests[4]					
Crude Oil	**13.5**	14.2	19.7	27.8	30.0
Condensate	**5.5**	7.6	10.4	9.8	10.0
Total Non-Operated Interests	**19.0**	21.8	30.1	37.6	40.0
Total Pembina					
Crude Oil	**288.9**	280.8	314.3	338.5	355.0
Condensate	**61.6**	69.6	71.6	80.5	75.4
Natural Gas Liquids	**161.6**	179.1	162.6	147.3	149.4
Total Pembina	**512.1**	529.5	548.5	566.3	579.8
Throughput Composition *(% of total)*					
Crude Oil	**56.4%**	57.3%	59.8%	61.2%	61.2%
Condensate and NGLs	**43.6%**	42.7%	40.2%	38.8%	38.8%

[1] Transfer crude oil volumes excluded from annual totals.
[2] Pre-acquisition historic volumes shown for reference only.
[3] Pre-acquisition historic volumes shown for reference only.
[4] Pembina's interest only - 50% Bonnie Glen, 10% Wabasca; pre-acquisition historic volumes for reference only.
[5] NEBC throughput is not included in total volume as product is transferred to other Pembina pipelines.

Corporate Information

OFFICERS AND KEY PERSONNEL

Robert B. Michaleski
President and Chief Executive Officer

Peter D. Robertson
Vice President Finance and Chief Financial Officer

Fred E. Webb
Vice President and General Manager

D. James Watkinson, Q.C.
Vice President, General Counsel and Secretary

S. Bruce Harris
Manager, Operations

BOARD OF DIRECTORS

Lorne B. Gordon [1][2]
Chairman
Calgary, Alberta
President and Chief Executive Officer,
Coril Holdings Ltd.

Robert B. Michaleski
Calgary, Alberta
President and Chief Executive Officer,
Pembina Pipeline Corporation

David A. Bissett [1]
Calgary, Alberta
Independent Businessman

Myron F. Kanik [2][3]
Calgary, Alberta
Independent Businessman

David N. Kitchen [1]
Calgary, Alberta
Independent Businessman

Donald L. Krogseth [3]
Vancouver, British Columbia
Independent Businessman

Robert F. Taylor [2][3]
Calgary, Alberta
Independent Businessman

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

TRUSTEE AND REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Shareholder Communications
1-888-267-6555

STOCK EXCHANGE

Pembina Pipeline Income Fund Trust Units are listed on The Toronto Stock Exchange under the symbol PIF.UN
8.25% Convertible Debentures Symbol: PIF.DB
7.50% Convertible Debentures Symbol: PIF.DB.A

[1] Audit Committee Members
[2] Compensation Committee Members
[3] Environment Committee Members

DISTRIBUTION REINVESTMENT PLAN:

Pembina's Distribution Reinvestment Plan provides a convenient and cost-effective way for Unitholders to increase their investment in Pembina. A brochure, detailing administration of the Plan and eligibility and enrolment information, is available on-line on Pembina's web site: www.pembina.com, or call 1-888-428-3222 to receive a copy by mail. Unitholders wishing to enroll in the Plan are asked to contact their Investment Advisor.

INVESTOR INQUIRIES CONTACT

Glenys E. Hermanutz
Manager, Investor Relations

Phone	(403) 231-7427
Toll Free	1-888-428-3222
e-mail	investor-relations@pembina.com
Web site	www.pembina.com

ANNUAL GENERAL MEETING

Unitholders are invited to attend Pembina's annual meeting on May 2, 2002 at 3:00 p.m. The meeting will be held at the Imperial Ballroom, Hyatt Regency Calgary, 700 Centre Street South, Calgary, Alberta.

Pembina Pipeline Income Fund

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PEMBINA